Effect of global recession on future of SEZs

†1185. SHRI AMIR ALAM KHAN: Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a whether Government has made any assessment about the effect of global economic recession on the utilization and future of Special Economic Zones sanctioned in the country;

(b) if so, the details thereof;

(e) whether Government proposes to bring changes in the existing policy of Special Economic Zones;

(d) if so, the details of the changes that are proposed to be brought therein; and

(e) the total number of Special Economic Zones approved by the Government alongwith the total land area specified by the Government for establishing these sanctioned areas?

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE AND INDUSTRY (SHRI JYOTIRADITYA MADHAVRAO SCINDIA): (a) to (d) The impact of economic meltdown on the performance of SEZs cannot generally be ruled out. However, export from the SEZ during the financial year 2008-09 has been to the tune of Rs. 99,689 crores registering a growth of 50% over the export for the year 2007-08. The Development Commissioners and Approval Committee continuously monitor the operation of SEZs. Corrective steps are taken as and when required under the provisions of SEZ Act and Rules.

(e) In addition to the Seven Central Government SEZs and 12 State/Private Sector SEZs set up prior to the enactment of SEZ Act, 2005, formal approvals have been accorded to 578 proposals out of which 323 SEZs have been notified. A total of 91 SEZs are operational. An investment of Rs. 1,08,903 crore has been made and direct employment for 3,87,439 persons have been generated in the SEZs. The total land area involved in notified SEZs is 39,060 hectare approximately.

Recommendations of the Parliamentary Standing Committee on FDI in Retail Trade

1186. SHRI RAJEEV CHANDRASEKHAR: Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) whether Parliamentary Standing Committee has recommended a blanket ban on domestic corporate and foreign retailers from entering retail trade in grocery, foods and vegetables;

(b) whether Committee has also suggested putting in place a regulation 'National Shopping Mall Regulation Act' to protect the indigenous small retail supply change and setting up a National Commission to study the problems in the retail sector; and

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†Original notice of the question was received in Hindi.

(c) if so, the details thereof and Government's reaction thereto?

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE AND INDUSTRY (SHRI JYOTIRADITYA MADHAVRAO SCINDIA): (a) Yes, Sir.

(b) The Department Related Parliamentary Standing Committee on Commerce, in its ninetieth report on foreign and domestic investment in retail sector, has recommended that the Government may consider to establish a National Commission, to study the problems of the retail sector, and to evolve policies that will enable it to cope with FDI. The Committee has also recommended that a National Shopping Mall Regulation Act could also be enacted to regulate the entire retail sector, both in fiscal and social aspects.

(c) The main recommendations of the Department Related Parliamentary Standing Committee on Commerce, contained in its ninetieth report on foreign and domestic investment in retail sector, are given in the Statement (see below).

At present, the Report has been circulated to concerned Departments of the Government for their comments.

Statement

Summary of observations and recommendations made by the department related Parliamentary Standing Committee on Commerce, in its ninetieth report on foreign and domestic investment in retail sector

1. The Committee are of the view that the provision of single brand is not strictly adhered to and shops in malls are selling other branded items, alongwith the brand for which they have got permission. Corporate retailers practice product bundling, whereby products of single or different brands are sold as combinations and bargains in the malls. This also adversely effects small shopkeepers and restricts over-all competition. The Committee are also of the view that allowing cash and carry wholesale in India is nothing but allowing backdoor entry of foreign companies into retailing, as they are selling goods for personal consumption also, whereas they were allowed for only business purposes. (para 5.3)

2. The Committee feel that opening up of FDI in Retail Trade by allowing single Brand foreign firms in India will result in unemployment due to slide-down of indigenous retail traders. Consumers' welfare would be side-lined, as the big retail giants, by adopting a predatory pricing policy, would fix lower price initially, tempting the consumers. After wiping out the competition from local retailers, they would be in a monopolistic position and would be able to dictate the retail prices. Local manufacturers, in particular the small scale industrial sector, would be gradually wiped out. The entry of few big organized companies, may result in distortions in the economy and the gap between 'haves' and 'have nots' in the country. Procurement centres constituted by big corporates for making direct bulk purchases would initially pay attractive prices to the farmers, and cause gradual extinction of mandis and regulated market yards. Then on the strength of their

monopolistic position, farmers would be forced to sell their produce at rock bottom prices. Farmers would be unduly affected due to the non-remunerative prices. (para 5.4)

3. The Committee, therefore, recommend that a blanket ban should be imposed on domestic corporate heavy weights and foreign retailers from entering into retail trade in grocery, fruits and vegetables, and restrictions should be entered for opening large malls by them for selling other consumer products. Reservation policy, similar to that adopted by Government on certain products being manufactured exclusively by SSI units, should be adopted for indigenous small and medium retailers, and financial assistance schemes should be planted for providing assistance to them for undertaking expansion and modernization. Government should stop issuing further licenses for "cash and carry", either to the transnational retailers or to a combination of transnational retailers and the Indian partner, as it is mere a camouflage for doing retail trade through back door. (para 5.5)

4. The Committee feel that in a country with huge numbers of people and high level of poverty, the existing model of retailing is most appropriate in terms of economic viability. Unorganized retail is a self-organized industry, having low capital input and high levels of decentralization. The Committee, therefore, recommend that the Government should ensure that some in-built policy must be established to relocate or re-employ the people who are dislocated due to opening up of big malls in the vicinity of their shops. (para 5.7)

5. The Committee, therefore, recommend that in view of the adverse effects of corporate retail (foreign as well as domestic) on the small retailer, there is a compelling need to prepare a legal and regulatory framework and enforcement mechanism for the same that would ensure that the large retailers are not able to displace the small retailers, by unfair means. (para 5.8)

6. The traditional system of small retailer should be protected. In order to help them improve their efficiencies, they should be entitled to better deal in terms of institutional credit. Credit should be provided at lower rates of interest to small retailers by public sector banks, for expansion and modernization of traditional retailers. A proactive programme of assisting small retailers, to upgrade themselves, should also be undertaken. (para 5.9)

7. The Government may consider to establish a National Commission, to study the problems of the retail sector, and to evolve policies that will enable it to cope with FDI. Cooperatives and cooperative marketing should be encouraged to strengthen the unorganized retailers. Akin to MSME (Micro, Small and Medium Enterprises Development Act, 2006) Act, an Act to promote small and medium retailer should also be formulated. Further there was a need to enact a law against predatory pricing and anti-competitive actions. (para 5.10)

8. The Committee, therefore, recommend that the Government should ensure that a level playing field for the small retailers should be made, before opening up of the sector to big ticket foreign

and domestic investment. Before any permission for opening any new retail store is given, it should study and analyse the economic and traffic impacts of the store, may be, by a University or economic or environmental institute of repute. The expenditure of the same should be borne by these companies and not by the Government and any proposed store, which has the potential to eliminate the local community from retail sector, or can increase the traffic by more than five percent, should not be allowed to open. (para 5.11)

9. The Committee, therefore, recommend that there is a need for setting up of a Retail Regulatory Authority, to look into the problems and act as a whistle blower, in case of anti competitive behaviour and abuse of dominance. Urban planning, zoning laws and environmental laws in urban areas should be used to limit the multiplication of malls and corporate retailers, by creating transparent criteria for licences, that are linked to the density of population and the stage of existing competition in retail in the zone. The regulatory mechanism should be strengthened and be made more democratic, by including the representatives of farmers also. (para 5.13)

10. The Committee felt that the entry of FDI in book publishing would directly affect the domestic industry, not only in respect of price, but also in the context of the published material, which could be detrimental to the national interests. The Department should ensure that the foreign publishers, in the garb of promoting their literature, do not impact the taste and aesthetic values of Indian readers. (para 5.14)

11. The Committee feel that diverting the agricultural land may not merely lead to reduction in production or income to farmers, it may affect the social and cultural life of the farmers, agricultural labourers and others, connected with the agricultural activities. The Committee, therefore, recommend that the Government should come out with adequate safeguards to prevent diversion of agricultural land for setting up of malls, etc. (para 5.15)

12. The need of the hour was to put into place strict regulations on the entry of big malls, *viz*. size of a mall, location of a mall from kirana shops, parking facilities, adherence to environmental norms, labour laws, etc., to ensure that cartelization does not take place. It may also be ensured that these big organised retail brings latest technologies, which could be absorbed here, at the same time ensuring large scale unemployment, particularly in the unorganized retail sector, does not take place. A National Shopping Mall Regulation Act could also be enacted to regulate the entire retail sector, both in fiscal and social aspects. (para 5.16)

13. The Committee, therefore, recommend the Government should formulate a model central law after due consultation with the State Governments and concerned stake holders. (para 5.17)

SEZs operating in the Country

1187. SHRI D. RAJA: Will the Minister of COMMERCE AND INDUSTRY be pleased to state: